Pamph
Econ
Tariff
A

Asquith, H. H.

Mr. Chamberlain's fiscal fallacies

Pamph
Econ
Tariff
A

AUTHORISED EDITION.

Asquith, Herbert Henry, 1st Earl of Oxford and
...

LIBRARY
JAN 18 1923
UNIVERSITY OF TORONTO

MR. CHAMBERLAIN'S FISCAL FALLACIES.

A SPEECH

DELIVERED BY THE

RIGHT HON. H. H. ASQUITH,

K.C., M.P.,

On JANUARY 24th, 1905,

AT WEDNESBURY.

PUBLISHED BY

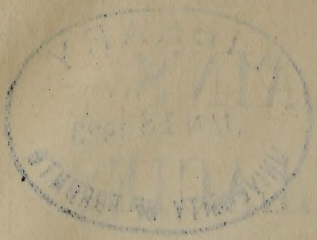
THE LIBERAL PUBLICATION DEPARTMENT

(*In connection with the National Liberal Federation and the Liberal Central Association*),

42, PARLIAMENT STREET, LONDON, S.W.

1905.

PRICE ONE PENNY.



Copies of this Pamphlet may be obtained at the following rates :—

25	**Copies**	...	...	**1s. 9d.;**	**Post free,**	**2s. 1d.**		
50	**,,**	...	...	**3s. 0d.;**	**,,**	**3s. 6d.**		
100	**,,**	...	...	**4s. 6d.;**	**,,**	**5s. 3d.**		
250	**,,**	...	...	...	**£0**	**10s. 6d.**	}	*Carriage Extra.*
1000	**,,**	...	...	...	**£1**	**15s. 0d.**	}	

MR. CHAMBERLAIN'S FISCAL FALLACIES.

MR. ASQUITH, M.P., *speaking at Wednesbury on January 24th, 1905, said* :—Mr. Hyde, ladies and gentlemen,—I thank you most heartily for this kind and cordial greeting, and I assure you it is a great pleasure to me to find myself once again, after a long period of years, addressing an audience in Wednesbury. I have particular pleasure in coming here to-night, because you have in the chair your candidate, my friend Mr. Hyde. I know few men who are more qualified than Mr. Hyde—by his business experience, his intelligent knowledge of politics, and by strenuous and sincere Liberal conviction—to do honour to a great industrial constituency such as this. I think I must also congratulate you on the political tenets of Mr. Hyde's opponent. He is not, I understand, one of those tongue-tied gentlemen whose profession of fiscal faith is summed up in the simple but rather obscure formula "I follow Mr. Balfour." On the contrary, he is one of those full-blooded and uncompromising Protectionists who range themselves openly and boldly under the flag of Mr. Chamberlain. I think that is quite right, and I will tell you why.

The Only Two Policies.

There are at this moment before the country two policies, and two policies only. On the one hand there is the policy of Free Trade, and on the other the policy which declares that our only hope of industrial and Imperial salvation is to be found in the creation of tariffs, in the taxation of corn, and in imitating the methods of our Protectionist rivals. The country understands these two policies, and is anxious to give a decision between them, but there is one thing which no plain man can understand, and that is the policy of his Majesty's Government. I see that Mr. Chamberlain has lately expressed his confidence that the Prime Minister is in full sympathy with his objects. That is a momentous declaration. It is more than a declaration; it is a challenge, and a challenge which the Prime Minister owes it to the country to take up. I ask Mr. Balfour this question—"If he obtains a majority"—I don't think he will—"at the next General Election, will he interpret it as giving authority to those who speak on

behalf of the United Kingdom in the Colonial Conference of next year to propose or to accept any scheme which will bind this country to the taxation of foreign imported food?" That is a very plain question, and I think we are warranted in expecting a plain answer to it.

Mr. Chamberlain has Learned that Exports Balance Imports.

But, in the meantime, I will ask your attention for a few moments to two or three points in Mr. Chamberlain's latest exposition and defence of his scheme. Speaking at Preston last week he re-stated once again, though in much more guarded language than he used to employ, the thesis with which he started his campaign. It is this—that the experience of the last thirty years shows a growing and alarming instability in the foundations of British trade. I confess it is gratifying to me to find Mr. Chamberlain has learned one lesson from the controversy of the last twelve months. A year ago, when he was speaking at Glasgow and Newcastle, in the great pyrotechnic display which fulminated over the beginning of his new campaign, our imports were entirely discarded as a test of our national prosperity. Indeed, their size and growth, we were told, was a phenomenon to be regarded with suspicion, and even with apprehension. Let me read you a passage which illustrates what I mean from the speech which Mr. Chamberlain made—he was replying to myself—at Newcastle in October of 1903. He says: "Last year"—speaking of 1902—"the exports were 278 millions and our imports were 528 millions," and he says "I must admit in my innocence there is no more reason for putting these things together than for putting together two sides of the ledger, the debtor and creditor, and adding them up and saying this is a splendid result of our business. Under these circumstances the total of the two would be 806 millions." "Now," he goes on, "let me make a suggestion. Let me suppose that by a great and terrible catastrophe every mill in this country was stopped, every furnace was blown out, even the blacksmith's shop was silent, no atom of manufacture was any longer made in Great Britain, and we depended for everything on the foreigner, what would be the result of the calculation? We should have an import as now of 528 millions, and we should export nothing." I confess that I thought at the time that was one of the boldest flights of fancy the human imagination had ever indulged in. This poor, simple-minded philanthropic foreigner going on sending you 528 millions of imports, and getting not a halfpenny-worth of exports in exchange! But we have learned something since then, because Mr. Chamberlain said last week at Preston—he was flattering enough again to refer to me—"Mr. Asquith tells you what is true"—a most unexpected and at the same time very gratifying tribute—"Mr. Asquith tells you what is true—every pound of imports was balanced by a pound of exports. That must be true." Well,

I am encouraged to think that I myself, as a humble instrument under Providence, at any rate have done this—I have introduced Mr. Chamberlain to the knowledge of an elementary economic truth, and I feel that during these twelve months I have not lived, I have not wandered from town to town, I have not lifted up my voice on platform after platform, altogether in vain.

Growth of Imports Indicates Corresponding Growth of Exports.

For what follows from this elementary fact which it has taken Mr. Chamberlain more than twelve months to realise and appreciate, namely, that every pound of imports is balanced by a corresponding pound of exports? Why this, clearly and indisputably. The steady growth of our imports year by year, and decade by decade, indicates a corresponding growth of our exports, however disguised, and is as good a proof as you can possibly have of the increasing volume of your international trade. What has Mr. Chamberlain to say to that? At Newcastle, in 1903, he used these remarkable words: "I will not say entirely, but it is mainly to our exports we must look for the test of the progress of our trade." Well, if that were true, and we are to look to exports for the progress of our trade, what is he going to say to the year 1904? It is a record year, both as regards imports and as regards exports—551 millions of imports and 300 millions of exports.

Mr. Chamberlain on Exports and Employment.

But Mr. Chamberlain, although he has made a step, and a substantial step, in advance in the direction of an economic truth, still sees in this imposing and stupendous structure of our foreign trade ominous cracks and crevices. Imports, he acknowledges now, must be paid for in exports. They are not free gifts, not loans from the foreigner without interest. They must be paid for. But he says you must look at the nature of the exports, to the amount of employment which the fabrication of them gives, and the fallacy which he says I and others are constantly falling into is looking merely at the bulk and not at the character of the things sent to the foreigner in exchange for what he sends to us. I am glad Mr. Chamberlain has raised that point, because I am perfectly prepared to meet him on it. Let us come down a little from the altitudes of abstract principle to the homely level of concrete fact.

Exports in 1872 and 1904.

Let us refer parenthetically to an attempt which has been made to disparage the evidence of the growth of our exports from the figures of 1904 by the suggestion that these large and unprecedented amounts are due to a rise in value and not in volume. No satisfactory proof has been, or I believe can be, adduced that this is the

case. But I am sorry the Protectionists have suggested it, because it will be within your recollection that Mr. Chamberlain started by comparing 1872 with the time in which we now live. 1872 and 1873 were years of unprecedentedly inflated prices, and if you were to price out the exports of 1904 at the values of 1872 you would find an increase in volume so vast as to be almost incredible.

Invisible Exports and Employment—Shipping.

To return to Mr. Chamberlain. He challenges me to examine the character of our exports. I will. To begin with, he sneers at what he calls our invisible exports, on the ground that they do not give any considerable employment to labour. And he seems to think that the only kind of export which ought to give real satisfaction is the export of purely manufactured goods. Indeed, in the speech at Newcastle to which I have already referred, he said that "every day we are sending out more raw material and coal and importing more and more foreign manufactures." Now, gentlemen, I will test those statements. First of all as regards our invisible exports. What does that mean? It means that we pay the foreigner for the goods which he sends to us partly in goods which we send to him—those are visible exports which appear in the Board of Trade returns—but partly also in the services which we render for them, and amongst those services there is none more conspicuous, none greater in volume, none more remunerative in profit than the service of British shipping, which carries the bulk of the trade of the world. Mr. Chamberlain sneers at the invisible exports, which include this great service, on the ground that they do not involve any considerable employment of labour. Let us look at the fact. In the course of thirty years the tonnage of British shipping has increased by 100 per cent. It has risen from five millions to ten millions of tons. If you judge it as you ought to do, not merely by the gross quantity of tonnage, but by the carrying efficiency which that tonnage represents, remember these facts, that whereas thirty years ago nearly four-fifths of our ship tonnage were to be found in the form of sailing vessels and only one-fifth in the form of steamers, to-day only one fifth is sailing and four-fifths steamers. So that in point of carrying efficiency the increase is a great deal more, in fact more like 200 per cent. than 100 per cent. Speaking from memory, I believe it is substantially true that when you have made allowance for all the foreigners, Lascars, and Asiatics employed in the British mercantile marine, these ten millions of tonnage give employment to something like 200,000 British seamen. That is not all. From six to eight hundred thousand tons of mercantile ships are every year constructed and fabricated in our ports for the British mercantile marine, and this gives great employment. There are also an enormous number of other subsidiary industries concerned in the trade. When you look at these gigantic figures, tonnage,

employment, shipbuilding, and wages paid, what room is there to sneer at this as an invisible export?

The Coal Industry and Employment.

Let me take one other illustration. Mr. Chamberlain says you must judge the real national value of your exports by the amount of labour which they bring into operation, and he suggests that it is only the manufactured goods which ought to be put into the scale. I take the great industry of coal. Coal is not, according to the classification of statisticians, a manufactured article. It is treated as a raw material. Do you realise what the coal industry actually means to this country, translated into terms of employment? The output of coal during the same period of thirty years has increased by something like 80 per cent., and the number of persons employed in hewing coal, bringing it to the surface, and handling it at the mouths, has increased from 315,000 to 650,000, or by more than 100 per cent. According to the best authorities if you take the price of coal at the pit mouth and analyse the various factors that contribute to it, you find that of the total sum charged to the persons who buy it, at least 80 per cent. must be set down to the wages of labour.

Nature of our Imports and Exports.

Mr. Chamberlain also said: "We are exporting more and more raw material and importing more and more manufactures." That is a plausible statement, but it happens to be the exact reverse of the truth. I will compare the year just past with 1902. Between those two years there has been an increase in our exports of 17½ millions, and with the exception of an insignificant fraction they are all manufactured goods. At the same time there has been an increase in our imports of 23 millions, and of that all but 2½ millions are raw materials and food. It is very easy to get up on a platform and make vague general statements as to the course of trade. Mr. Chamberlain, in his speech, sent statistics to Coventry. I do not wonder. They are very inconvenient. I think one is entitled to complain, more in sorrow than in anger, of the method of argument that is content with statements of broad general propositions like this, which anybody who has the industry to examine the statistics, even in the most superficial way, will find absolutely contradicted by facts. By whatever test you take it, our export trade during the last two years, since Mr. Chamberlain began his agitation, has been increasing, not spasmodically and hysterically, but steadily and soberly, and with the most hopeful prospects for the future.

The Iron and Steel Industry.

There is one industry in particular as to which I should like to say a word, because you are very much interested in it in this district—I mean the iron industry. The interim report of the Tariff Commission on the iron and steel trade declares that since

1870 this industry has declined relatively to that of other countries, amongst other reasons because of the facilities which our Free Trade system and their Protective systems give to them as against us for what is called the practice of dumping. That again is a statement I should like to examine. Before 1870 we had a practical monopoly of the iron trade of the world. Did anyone suppose we were going to continue to keep it? If he did he must have lived in a lunatic asylum or a fool's paradise. The United Kingdom has an area of 120,000 square miles, Germany of 208,000, and the United States of America, comprising every variety of climate and of natural resource, of 3,500,000. Our population is 40,000,000, Germany's over 50,000,000, and that of the United States far greater than either. Is it conceivable—supposing there had been no tariff arrangements in any part of the world—that in days of competition from countries so well endowed in area, in industry, and in intelligent population, you could have kept the monopoly you enjoyed thirty years ago? Remember, we are very largely dependent, particularly in South Wales, upon imported ore. Is not this a handicap as against countries which have these ores close to their own doors and in their own soil? But, in spite of all this, what has happened? In the twenty years between 1883 and 1902 our exports of iron and steel have increased from 48 to 60 millions sterling.

Two Unimpeachable Witnesses.

When I have alluded to the fact that in some departments of our industries we are behindhand and conservative, I have been accused of calumniating my countrymen. I will, however, quote, in reference to this very trade, two witnesses of unimpeachable authority. The first is Mr. Jeans, who said: "In Great Britain there has been less disposition to throw over old plant than in some other countries." In 1895 the commission of employers and employed visited Germany and Belgium, having been organised by Mr. Jeans, on behalf of the iron trade, and they expressed surprise and admiration at the perfection of the processes employed. Then, as lately as last October, a gentleman well known in South Staffordshire, Mr. Toye, was speaking to a technical audience as president of the South Staffordshire Iron and Steel Institute, and he said: "That we are suffering from the effects of foreign competition no one can deny, but is not the real cause to be attributed to our adherence to methods of manufacture inaugurated by a former generation? If so, why not adopt a policy of reducing the cost of production by the employment of more modern machinery? . . . . The most successful firms in the future will be those who employ a share of their profits in improving their plant." There you may see, not a will-o'-the-wisp-like Protection, but a real, practical, and valuable remedy for some of the evils which undoubtedly embarrass this particular industry.

Dumping not Confined to Free Trade Markets.

The Tariff Commissioners say that our Free Trade system, coupled with the Protective system of other countries, exposes us to dumping. Is that so? Is dumping confined to the Free Trade markets? All the evidence is the other way. The United States of America dump steel and iron into the protected markets of Canada and Germany. In 1899 and 1900 the United States went a long way towards capturing the German market for steel rails—a market entrenched by tariff walls of the highest and most impregnable description. Germany and Belgium dump their iron and steel into our own protected Colonies. Dumping goes on all the world over. We dump. There is no man in this room who is practically acquainted with the iron trade—I won't mention any particular branch of it, though I could—who does not know perfectly well that you may have a combination to keep up prices here at home, and perfect freedom of action to sell the same goods at very much lower prices in the foreign markets abroad. Whether dumping be good or bad—sometimes it is a very good thing for the country which is the supposed victim of the process—it is a thing that is practised equally all the world over, whether in protected or Free Trade markets.

Free-traders not Content with a Policy of Folded Hands.

Having, I hope, dealt seriously, argumentatively, and by the evidence of facts with these vague general allegations, I want to say a word upon the other aspect of the question. You may ask me, do I assert, and does any Free-trader assert, that all is for the best in British trade? I have never made any such assertion in my life. Mr. Chamberlain at Preston professes to discover in the speech I made there, as he says for the first time in any of my speeches, an uneasy sense that things are not all perfect, and he is kind enough to invite me to re-read my speeches. I have done so, and I find that in my first speech, made at Cinderford, Gloucestershire, on October 8th, 1903—two or three days after Mr. Chamberlain had opened his campaign at Glasgow—I said, in reply to that inaugural speech of the new campaign, "Don't, however, let it be supposed that because we are driven to defend the citadel of Free Trade we therefore think that all is for the best, and are content with a policy of folded hands. That there are disquieting features in our industrial as in our social condition, no honest observer, certainly no member of the party of progress, will be found to deny." Then I point out that defective knowledge, inferior processes, lack of flexibility, stubborn industrial conservatism—these are the real enemies of British trade, and I suggest that better education, better training, better methods, a larger outlook are the primary needs, and finally—I am bound to repel one of the most unfounded charges ever made by one public man against another—

I go on to say, "True it is also"—I did not fully appreciate how true it was going to be found out—"that in spite of the continuous growth of our national prosperity we still have with us the unemployed, the ill-fed, the aged poor, but here again let us look to natural and not to artificial remedies. Instead of raising the price of bread let us try to raise the standard of life. Temperance, better housing, tenure and taxation of land—these are matters in regard to which we have allowed our legislation to fall deplorably into arrear." So said I at the very beginning of this controversy; so say I to-night, when, as I hope and believe, it is nearing its end. Do not let it be said—it is a slander and calumny—that because we are driven into an attitude of defence as against these quack remedies, as against this insidious attempt to undermine the very foundations of our national strength and prosperity, we are therefore blind to the evils we see around us, and are not disposed to take whatever steps wise and prudent statesmanship demands to cure the disease.

The Liberal Attitude towards a Colonial Conference.

Are you going to remedy the acknowledged ills in our industrial and social condition by raising the price of food and clothing, and enhancing the cost of production upon the things in which British labour and capital are engaged? Mr. Chamberlain invites you to do all this in pursuit of the ideal of a self-contained Empire. He is good enough to say that I am afraid to discuss these matters with the colonists who are prepared to come and sit around a table and talk them over. I should be only too happy to see the colonists sitting round a table, as they will in 1906 when the next Colonial Conference is due. If I could imagine myself, or any Free-trader, sitting at that table interchanging our views as we ought to do with the frank candour, which not only our self-respect, but our respect for the colonists, demands, what I should say to them would be something like this: "People talk about preference as though the introduction of it would increase the prosperity and strengthen the unity of the Empire. Let me ask you to realise what preference means to the people of this kingdom. It means the taxing of Russian corn in favour of the corn from Canada and Australia. It means, if equitably carried out, the taxation of Argentine wool and meat in favour of the wool and meat of South Africa and New Zealand. It means, or may mean sooner or later, the taxation of American cotton in favour of East and West African cotton grown within the limits of the Empire. We cannot afford to do this. Nature and economic conditions forbid it. We cannot grow the bulk of our food or raw material upon our own soil. It is essential, not only to our prosperity, but to our own national existence that we should keep open any and every possible source of supply. The variety and vagaries of climate and season are infinite and incalculable. Australia, which sent us four million pounds' worth of wheat in 1904, could not send us any at all in

1903, because she was suffering from drought. British India, which sent us three millions, and Argentina one and a-half in 1902, sent us in 1904 something like eight millions each, while the United States of America, which in 1902 sent us fourteen millions, could last year send us only a little over two. Realise these facts, and see what they mean when people talk about a self-contained Empire." I am perfectly certain they would not resent it if I went on to finish my little argument by saying: "It is as much your interest as it is ours that we, who bear and are ready to continue to bear the main burden of this Empire, shall be free to resort to every reservoir, wherever it may be found, from which we can draw the sustenance of our people and the lifeblood of our national prosperity."

Work at Home.

Meanwhile, is it not time, instead of wandering in these marshes and morasses, to look after the affairs of our own house? After ten years of Tory administration is there not more than enough of sweeping and cleaning, of painting and repairing, I would also say of demolition and rebuilding, to be done at home? It is this task which I believe has been postponed and neglected to the deepest detriment of the Empire in all its highest interests. It is this task that the electors, undazzled by the sophistries of the Protectionist revival, are determined to entrust to the energy and patriotism of a Liberal Parliament.

Printed by the National Press Agency, Ltd., Whitefriars House, Carmelite St., London, E.C.

ANNUAL VOLUMES FOR LIBERALS.

VOLUME XII. of

THE LIBERAL MAGAZINE

A Unique Record of Political Events for 1904.—850 pages.

PRICE 5s. Net, post free 5s. 6d.

All previous volumes can be obtained, though the price of those for certain years has had to be raised.

NOW READY.

Pamphlets and Leaflets of 1904,

Containing all the Publications of the Liberal Publication Department for 1904. Strongly bound, with index, and printed on superior paper. 500 pages. Price 2/6 Net, *post free* 2/11.

A very few copies of PAMPHLETS AND LEAFLETS of 1900 (price 2/9, *post free*), 1901 (price 2/3, *post free*) and 1902 (price 2/9, *post free*), are still in stock. Those desirous of completing their sets of these annual issues should order copies at once.

N.B.—The annual volumes for all other years are Out of Print.

The Liberal Year Book for 1905.

324 Pages.

Price, **1/-** net; *post free*, **1/3.**

LIBERAL PUBLICATION DEPARTMENT,

42, Parliament Street, S.W.